AR23

LORNEX MINING CORPORATION LTD.

NOTICE OF ANNUAL GENERAL AND EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY given that the combined 1969 and 1970 Annual General and Extraordinary General Meeting of Lornex Mining Corporation Ltd. will be held in the Vancouver Island Room, Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia on Tuesday, March 31st, 1970 at the hour of 11:00 o'clock in the morning, Vancouver time:

(1) to receive the Annual Report of the Company for the year ended September 30th, 1969 and for the three months ended December 31st, 1969;

(2) to consider and, if deemed advisable, to approve, ratify and confirm, with or without amendment the agreements referred to in the Information Circular attached hereto under the heading "Financing Agreements" and to authorize the directors to make such alterations or amendments to the Financing Agreements, including fixing the interest rate in the Japanese Financing Agreement, as the directors may consider necessary or appropriate;

(3) to consider and, if deemed advisable, to approve, ratify and confirm, with or without amendment, the Stock Option Plan of the Company;

(4) to consider and, if deemed advisable, to adopt, with or without amendment, Special Resolution No. 1 attached hereto relating to the alteration of the authorized share capital of the Company;

(5) to consider and, if deemed advisable, to adopt, with or without amendment, Special Resolution No. 2 attached hereto relating to the alteration of the Articles of Association of the Company;

(6) to elect directors for the ensuing year;

(7) to confer a general authority (expiring at the next annual general meeting of the Company unless then continued by ordinary resolution) to take, or acquire by purchase or otherwise, any shares in any other company;

(8) to appoint auditors for the ensuing year and to authorize the directors to fix the remuneration of the auditors; and

(9) to transact such other business as may properly come before the meeting.

Certain particulars with respect to the above matters to come before the meeting are set out in the Information Circular attached hereto.

Shareholders of the Company are entitled to attend and vote at the meeting, either in person or by proxy, in accordance with the provisions of the Companies Act of the Province of British Columbia. If you are unable to attend the meeting in person, please complete and sign the enclosed form of proxy and return it in the addressed envelope provided for that purpose. Proxies must be received at the office of National Trust Company Limited, 510 Burrard Street, Vancouver 1, British Columbia by 11:00 o'clock in the morning Vancouver time on March 30th, 1970.

A copy of the Annual Report of the Company for the year ended September 30th, 1969 and for the three months ended December 31st, 1969 are enclosed herewith.

By Order of the Board of Directors,

Vancouver, B.C.,
March 2, 1970.

C. W. M. BURGE,
Secretary.

LORNEX MINING CORPORATION LTD.

Special Resolution No. 1

Be it resolved as a Special Resolution that:

1. The capital of the Company be altered by converting all of the 5,000,000 shares with a nominal or par value of 50¢ each of which 4,521,322 are issued into 5,000,000 shares without nominal or par value and that the maximum price or consideration at or for which such converted shares may be issued be increased to $1.00, so that the Company is authorized to issue 5,000,000 shares without nominal or par value of which 4,521,322 are issued.

2. The number of shares without nominal or par value which the Company is authorized to issue be increased from 5,000,000 shares with a maximum price of $1.00 to 14,000,000 shares without nominal or par value, and that 9,500,000 shares without nominal or par value be called common shares of which 4,521,322 are issued and that 4,500,000 shares without nominal or par value be called Class A shares of which none are issued. The said common and Class A shares shall have the benefit of and be subject to special rights and restrictions contained in the Articles of Association of the Company. The maximum price or consideration at or for which all of such shares may be issued shall be $1.00.

3. Clause 5 of the Memorandum be amended to read:

   "5. The Company is authorized to issue 14,000,000 shares without nominal or par value divided into 9,500,000 common shares and 4,500,000 Class A shares, all without nominal or par value. The said common shares and Class A shares shall have the benefit of and be subject to the special rights and restrictions contained in the Articles of Association of the Company. The capital of the Company shall, with respect to said shares, be at least equal to the aggregate amount paid to the Company on or for such of those shares as are issued together with such amounts as may from time to time be added by ordinary resolution to such capital."

4. There shall be added to the Memorandum Clause 6 to read:

   "6. The maximum price or consideration at or for which the shares without nominal or par value may be sold is $1.00."

NOTE: 4,500,000 of the common shares authorized to be issued must be held and issued only in exchange for the 4,500,000 Class A shares. *See heading "Alteration of Share Capital" on page thirteen.*

Special Resolution No. 2

Be it resolved as a Special Resolution that:

1. The Articles of Association of the Company be amended by adding the following as Clause 131:

RIGHTS ATTACHING TO SHARES

"131. The rights, special rights and restrictions attached to the Class A shares and the common shares shall be as follows:

(a) The holders of the Class A shares shall be entitled to notice of and to attend at any meeting of the shareholders of the Company, but shall not be entitled to vote thereat. The holders of the common shares shall be entitled to one vote for each common share held.

(b) The holders of fully paid Class A shares shall be entitled at any time to have all or any part of said Class A shares exchanged into fully paid common shares upon the basis of one common share for each one Class A share in respect of which the exchange privilege is exercised.

(c) The exchange privilege herein provided for may be exercised by notice in writing given to any transfer agent of the Company accompanied by the certificate or certificates for fully paid Class A shares in respect of which the holder thereof desires to exercise such right of exchange and such notice shall be signed by the person registered on the books of the Company as the holder of said Class A shares in respect of which such right is being exercised, or by his duly authorized attorney, and shall specify the number of said Class A shares which the holder desires to have exchanged; upon receipt of such notice the Company shall issue certificates for common shares at the rate aforesaid and in accordance with the provisions hereof to the registered holder of said Class A shares represented by the certificate or certificates accompanying such notice; if less than all of the Class A shares represented by any certificate are to be exchanged, the holder shall be entitled to receive a new certificate for the Class A shares representing the shares comprised in the original certificate which are not to be exchanged. All shares issued for the purpose of or with respect to any exchange of Class A shares into common shares under the foregoing provisions shall be deemed to be fully paid.

(d) The Company shall at all times retain in its treasury a sufficient number of unissued common shares to enable the holders of Class A shares to exchange all of the issued Class A shares for common shares.

(e) The holders of the Class A shares shall not be entitled to dividends but shall be entitled on a return of assets of the Company on winding up or otherwise to have the assets remaining after discharge of the liabilities of the Company applied in the first instance in paying to them the amount paid up on the said Class A shares held by them respectively, but the holders of the said Class A shares shall not be entitled in respect thereof to any further or other participation in the profits or assets of the Company.

(f) The capital of the Company may be subdivided, consolidated, exchanged (otherwise than under the foregoing provision) into or for a greater or lesser number of shares of the same or another class, or otherwise altered and the special rights and restrictions attached to any class of shares in the Company may be modified, abrogated, dealt with or affected only with the sanction of either (i) consent in writing signed by the holders of three-fourths of the issued shares of each class, or (ii) a resolution passed at a separate general meeting of the holders of the issued shares of each class by a majority of not less than three-fourths of the holders of each class who are present in person or represented by proxy. To any such general meeting all the provisions of the Company's Articles of Association relating in any manner to general meetings or to the proceedings thereat, or to the rights of members at or in connection therewith shall mutatis mutandis apply, but so that the necessary quorum shall be two in number of the holders of shares of the class holding or representing by proxy fifty-one percent of the issued shares of that class, and that if at any adjourned meeting a quorum is not present, those members of the class who are present shall be a quorum."

2. The Articles of Association of the Company be amended by adding the following as Clause 132:

"132. (a) The Directors may determine the price or consideration at or for which the shares of the Company without nominal or par value may be issued.

(b) The Company may by resolution of the Directors at any time alter the Memorandum so as to increase the maximum price or consideration at or for which the shares without nominal or par value may be issued."

LORNEX MINING CORPORATION LTD.

INFORMATION CIRCULAR

All dollar amounts in this document refer to Canadian dollars, unless otherwise indicated.

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation by the management of Lornex Mining Corporation Ltd. ("the Company") of proxies to be voted at the combined 1969 and 1970 Annual General and Extraordinary General Meeting of the Shareholders of the Company to be held on Tuesday, March 31st, 1970 for the purposes set forth in the accompanying notice of the meeting. The cost of this solicitation will be borne by the Company.

VOTING RIGHTS AND PRINCIPAL SHAREHOLDERS

As at March 2nd, 1970 there were outstanding 4,521,322 shares of the Company with a nominal or par value of 50¢ each being the only class of shares of the Company. Each of such shares is entitled to one vote. All shareholders of record as at the close of business on March 30th, 1970, being the day prior to the meeting, are entitled to vote but those desiring to be represented thereat by proxy must deposit their executed form of proxy at the office of National Trust Company Limited, 510 Burrard Street, Vancouver, British Columbia, by 11:00 o'clock in the forenoon, Vancouver time, on Monday, March 30th, 1970.

To the knowledge of the directors and senior officers of the Company, the only persons or corporations beneficially owning directly or indirectly more than 10% of the shares of the Company are as follows:

	Shares beneficially owned as of March 2nd, 1970	Percentage of Shares beneficially owned
Rio Algom Mines Limited, Toronto, Ontario. ("Rio Algom")	1,645,950	36.4%
The Yukon Consolidated Gold Corporation Limited, Vancouver, British Columbia ("Yukon")	1,080,000	23.9%

ELECTION OF DIRECTORS

Directors are to be elected at the meeting to serve until the next annual general meeting or until their successors are elected or appointed. **The persons named in the enclosed form of proxy intend to vote for the election of the proposed nominees whose names are set out below. Although management does not contemplate that any of the nominees named below will be unavailable for election, in the event of any vacancies among these nominees, the persons named in the enclosed form of proxy intend to vote in favour of the election of the remaining nominees and for such other substituted nominees as the management of the Company may designate.** The following summary sets out in respect of the nominees for election as directors of the Company their names, any other positions or offices with the Company presently held by them, their principal occupation and the company or organization in which such occupation is carried on at present and during the past five years, the dates on which they became directors and the number of shares of the Company reported by them as beneficially owned, directly or indirectly, by them as at March 2nd, 1970.

Name and Occupation of Nominee	Became Director	Shares Held
George R. Albino, Toronto, Ontario; Executive Vice-President, Corporate Staff, Rio Algom, since July 1968; formerly held various executive positions with Rio Algom.	1966	—
William A. Arbuckle, Montreal, Quebec; President of Arbuckle, Govett & Co. Ltd. of Montreal, Quebec, Investment Managers; and President of Yukon.	1966	5,500 (A)
Robert D. Armstrong, Toronto, Ontario; President of Rio Algom and President and Chief Executive Officer of the Company since December 1966; formerly President Canadian Foundation Company Limited, a major construction and engineering company.	1966	—
Walter P. Arnold, Toronto, Ontario; Executive Vice-President, Mining Operations, Rio Algom, since July 1968; formerly held various executive positions with Rio Algom.	1965	—
Earl B. Gillanders, Vancouver, B.C.; Consulting Professional Engineer.	1965	11,250
John Hough, Toronto, Ontario; an associate of Fasken & Calvin, Barristers & Solicitors of Toronto, Ontario, since 1966 and prior thereto an articled student-at-law.	—	1
Neil B. Ivory, Montreal, Quebec; Vice-President of Arbuckle, Govett & Co. Ltd. and Vice-President of Yukon.	1966	11,000
Egil H. Lorntzsen, Vancouver, B.C.; President of the Company from 1964 to 1966; Chairman of the Board since 1966; formerly a Prospector.	1964	305,350
J. Arthur Sadler, Toronto, Ontario; President of Rio Tinto Canadian Exploration Limited, a company wholly owned by Rio Algom and Vice-President, Exploration of Rio Algom since Feb. 1970.	1965	—
J. Herbert Smith, Toronto, Ontario; President of Canadian General Electric Company Limited.	—	—
Roy W. Wright, London, England; Deputy Chairman and Deputy Chief Executive of The Rio Tinto-Zinc Corporation Limited, a British based international mining and industrial company.	—	—

(A) Reference is made to the heading "Interest of Certain Persons in Financing Agreements" as to shareholdings of Lornex of companies controlled by Mr. Arbuckle which are included in the above total.

An agreement is in force between Rio Algom, Yukon and Rio Tinto Canadian Exploration Limited, a company wholly owned by Rio Algom, wherein it is provided that the parties shall vote certain of their shareholdings in the Company in order to elect two nominees of Yukon to the Board of Directors (or three nominees if Yukon so requests in writing) and further, that Rio Algom nominees shall constitute the balance of the Board of eleven (11) directors. This agreement will be terminated upon the Financing Agreements hereinafter referred to becoming operative and binding upon the parties thereto.

DIRECTORS AND MANAGEMENT REMUNERATION

The aggregate direct remuneration paid or payable by the Company to directors and senior officers of the Company during the year ended September 30, 1969 was $47,352 and during the three months ended December 31, 1969 was $35,325. There are no pension or retirement plans or any other plan involving any direct or indirect payments to directors or senior officers.

No director, senior officer or company owning more than 10% of the issued shares of the Company or associate or affiliate thereof, had any direct or indirect material interest in any transaction during the

year ended September 30, 1969 and the three months ended December 31, 1969 save and except as set out under the heading Management and under the heading Financing Agreements.

MANAGEMENT

Management and direction of the development of the mining properties owned by the Company has to date been carried on by Rio Algom pursuant to the provisions of an agreement dated May 1, 1965 between the Company, Rio Algom, Egil H. Lorntzsen of 4707 Belmont Ave., Vancouver, B.C. and A. David Ross of 1282 Chartwell Crescent, West Vancouver, B.C. Under that agreement there were no moneys or fees paid to Rio Algom; however, Rio Algom was reimbursed by the Company for certain services provided, independent consulting services retained, material, equipment, supplies and rentals provided and overhead incurred, amounting in total, during the year ended September 30, 1969 and the three months ended December 31, 1969, to $527,056 and $197,109 respectively.

This agreement will be terminated upon the Construction and Management Agreement hereinafter referred to becoming operative and binding upon Rio Algom and the Company. The Construction and Management Agreement provides that the Company shall pay to Rio Algom a management fee of $250,000 per annum commencing January 1, 1969.

The Directors and Senior Officers of Rio Algom are as follows:

Name	Office or Position	Home Address
G. R. Albino	Director & Executive Vice-President, Corporate Staff	2242 High River Court, Port Credit, Ontario.
W. A. Arbuckle	Director	8 Chelsea Place, Montreal, Quebec.
*R. D. Armstrong	Director & President	30 Glenorchy Road, Don Mills, Ontario.
W. P. Arnold	Director & Executive Vice-President, Mining Operations	355 St. Clair Avenue West, Apt. 1104, Toronto, Ontario.
*Henry Borden, C.M.G., Q.C.	Director	18 Edmund Avenue, Toronto, Ontario.
J. Ian Crookston	Director	70 Ardwold Gate, Toronto, Ontario.
*Sir Val Duncan	Director & Chairman	Edenbridge House, Edenbridge, Kent, England.
J. G. Edison, Q.C.	Director	133 Dunvegan Road, Toronto, Ontario.
*Sam Harris	Director	14 East 75th Street, New York, N.Y., U.S.A.
L. A. Lapointe, Q.C.	Director	7475 Churchill Road, Montreal, Quebec.
O. S. Leslie	Director & Executive Vice-President, Steel Operations	100 Marsdale Drive, St. Catharines, Ontario.
*B. R. MacKenzie, Q.C.	Director	73 Riverwood Parkway, Toronto, Ontario.
Leo Model	Director	605 Park Avenue, New York 10005, U.S.A.
F. A. Petito	Director	89 Galbreath Drive, Princeton, N.J., U.S.A.
*J. Herbert Smith	Director	57 Old Forest Hill Road, Toronto, Ontario.

Name	Office or Position	Home Address
Sir Mark Turner	Director	3 The Grove, Highgate, London, England.
*R. W. Wright	Director	14 Chelsea Square, London S.W. 3, England.
A. F. Lowell	Vice-President, Minerals Marketing	51 Warlock Crescent, Willowdale, Ontario.
J. A. Sadler	Vice-President, Exploration	318 Glenayr Road, Toronto, Ontario.
A. C. Turner	Secretary	229 Owen Blvd., Willowdale, Ontario.
J. Van Netten	Treasurer	30 Dalmeny Road, Willowdale, Ontario.
H. A. Pakrul	Corporate Finance Manager	1567 Camelford Road, Clarkson, Ontario.

* Member of Executive Committee

The holders of ten percent or more of voting rights attached to all shares of Rio Algom are as follows:

Name and Address	Number of Shares	Percentage of Shares Held
Preston Mines Limited, 120 Adelaide St. West, Toronto, Ontario.	5,382,400	43.94%
Tinto Holdings Canada Limited, Suite 3209, Toronto Dominion Centre, Toronto, Ontario.	1,909,853	15.59%

Note:

The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, London S.W. 1, England, beneficially owned through wholly-owned subsidiaries 6,349,047 common shares of Preston Mines Limited representing 80.89% of the outstanding common shares of Preston. Tinto Holdings Canada Limited is a wholly-owned subsidiary of The Rio Tinto-Zinc Corporation Limited. Thus Rio Tinto-Zinc on March 2, 1970 controlled a total of 7,292,253 common shares of Rio Algom representing 59.53% of such outstanding common shares and Rio Tinto-Zinc's total net beneficial interest in Rio Algom was 51.13%.

As more particularly set forth under the heading Financing Agreements, Rio Algom will assume responsibility for the construction of the mine, mill and ancillary facilities, structures and equipment required in connection with the Lornex project and will supervise and manage all of the business and undertaking of the Company both during construction and thereafter for a period of at least fifteen (15) years from December 1, 1969 subject to earlier termination as more particularly set forth in the Construction and Management Agreement.

FINANCING AGREEMENTS

Brief Description

The financial requirements of Lornex during the construction and starting-up period for the Lornex Project (inclusive of construction costs, working capital requirements, debt servicing expenses, management fees, legal fees and administrative expenses) have been estimated at approximately $123,600,000. Of this amount, $7,400,000 has already been provided through the issue of common shares of Lornex. $60,000,000 is to be provided under the Bank Loan Agreement on a last in, first out basis. $28,600,000 is to be provided under the Japanese Financing Agreement on a second in, second out basis and $23,600,000 is to be provided under the Income Debenture and Share Purchase Agreement on a first in, last out basis. Pending completion of the financing agreements $4,000,000 has been advanced by Rio Algom and Yukon by way of demand loan. It is anticipated that mortgages on employee facilities will provide the balance of $4,000,000.

Set forth separately below are summaries of the following financing and related agreements:

Bank Loan Agreement

Japanese Financing Agreement

Income Debenture and Share Purchase Agreement

Income Debenture Indenture

Construction and Management Agreement

Control Agreement.

These agreements have been fully executed as of December 1st, 1969, pursuant to a resolution of the directors of the Company passed on December 19, 1969, and have been placed in escrow with Davis & Company, Barristers and Solicitors, subject to the approval of the shareholders. They will not be delivered or become effective until the shareholders have approved them and the interest rate on the Japanese loan is determined and inserted in the Japanese Financing Agreement. The interest rate will be based on the cost of the money borrowed from the Export-Import Bank of Japan and other Japanese banks, and cannot be ascertained until the Japanese Financing Agreement and the Sales Contract are approved by the Japanese Government. The interest rate will be subject to agreement between the Security Purchasers and the Company. If the rate is not agreed upon by September 1st, 1970, the agreements will be of no further force or effect and be destroyed.

Bank Loan Agreement

Under this agreement, Canadian Imperial Bank of Commerce, The Toronto-Dominion Bank and Bank of Montreal ("the Banks") have agreed to establish Capital Credits in favour of the Company in an aggregate amount of $60,000,000 and to advance that amount to the Company against receipt of promissory notes of the Company, in accordance with the terms of the agreement. Repayment of advances is to be collaterally secured under a Trust Deed by the pledge of first mortgage bonds created in favour of National Trust Company Limited, as trustee. The Trust Deed creates in favour of the trustee a first fixed and specific mortgage and charge and a first floating charge on the assets of the Company. The advances will be made primarily in U.S. Dollars, but the Company may draw up to $20,000,000 in Canadian Dollars. Capital Credits will not be advanced until all funds have been advanced under the Japanese Financing Agreement and the Income Debenture and Share Purchase Agreement, and until the Banks are satisfied that the Lornex Project continues to be feasible.

The interest rate on U.S. Dollar advances will be 1½% above the Eurodollar rate, adjustable semi-annually after the funds are advanced. The interest rate on Canadian Dollar advances will be 1¼% above the minimum commercial lending rate of each bank, adjustable from time to time by each bank independently. Interest is payable quarterly from the date of the first advance.

Principal is to be paid quarterly, commencing 45 days after the end of the calendar quarter in which the commencement of commercial production occurs. 75% of the net operating profits as defined in the agreement are to be applied to the repayment of the bank loans during the first 15 months of repayments and thereafter 90% of the Company's net operating profits are to be applied to the repayment of the bank loans. The cumulative minimum annual payments of principal required to be made are as follows:

Year of Repayment	Aggregate Amount of Principal Repayments
1	$ 5,900,000
2	16,300,000
3	29,300,000
4	42,300,000
5	54,400,000
6	60,000,000

Japanese Financing Agreement

Under this agreement The Dowa Mining Co., Ltd., Furukawa Mining Co., Ltd., Mitsubishi Metal Mining Co., Ltd., Mitsui Mining & Smelting Co., Ltd., Nippon Mining Co., Ltd., Sumitomo Metal Mining Co., Ltd., Mitsubishi Shoji Kaisha Ltd., Mitsui & Co., Ltd., and Sumitomo Shoji Kaisha, Ltd. ("the Security Purchasers") have agreed to purchase 150,000 common shares of the Company and promissory notes of the Company ("the Notes") in the aggregate principal amount of $26,500,000 (U.S. Funds) (approximately $28,600,000 Canadian Funds). The Notes and shares are to be purchased in Units consisting of $1,000 (U.S. Funds) principal amount of Notes and 5.6604 shares at a purchase price of $1,000 (U.S. Funds) per Unit. Repayment of the Notes is to be collaterally secured under a Trust Deed by the pledge of second mortgage bonds created in favour of The Canada Trust Company, as trustee. The Trust Deed creates in favour of the trustee a second fixed and specific mortgage and charge and a second floating charge on the assets of the Company. No Units will be purchased until all funds have been advanced under the Income Debenture and Share Purchase Agreement and until the Security Purchasers are satisfied that the Lornex Project continues to be feasible.

The interest rate on the Notes has not yet been established (see Brief Description) and the directors request the shareholders to authorize them to fix the interest rate as soon as it is agreed upon between the Company and the Security Purchasers.

Repayment of principal is to commence 13 months after commencement of commercial production or 33 months after the last purchase of Units, whichever date is earlier. 90% of the Company's net operating profits as defined in the agreement are to be applied to the repayment of the Notes after the bank loans are paid in full. The cumulative minimum annual repayments of principal required to be made are as follows:

Year of Repayment	Aggregate Amount of Principal Repayments
1	$ 250,000 U.S.
2	500,000 U.S.
3	750,000 U.S.
4	1,000,000 U.S.
5	1,250,000 U.S.
6	8,350,000 U.S.
7	21,650,000 U.S.
8	26,500,000 U.S.

Payments are to be made by way of deductions from the sale of copper concentrates to the Security Purchasers under the Sales Contract.

Income Debenture and Share Purchase Agreement

Under this agreement the Company is to create $53,600,000 principal amount of unsecured 8½% Series A Income Debentures ("Income Debentures"). $30,000,000, principal amount of Income Debentures will be for issuance, if required, under the Construction and Management Agreement and the balance of $23,600,000 will be purchased under this agreement by Rio Algom and Yukon in Units of Income Debentures and Class A common shares of the Company as follows:

	No. of Units	Principal Amount of Income Debentures	No. of Shares
Rio Algom	21,240	$21,240,000	1,699,200 Class A
Yukon	2,360	2,360,000	188,800 Common

The Income Debentures and shares will be purchased in Units of $1,000 principal amount of Income Debentures and 80 shares at a purchase price of $1,000 per Unit. The proceeds of the first purchase will be used to repay amounts previously advanced by Rio Algom and Yukon to the Company and the balance will be used for the Lornex Project.

If while any Income Debentures remain outstanding the Company issues shares to a third party (other than under the Stock Option Plan or under the Construction and Management Agreement and Japanese

Financing Agreement), the Company must offer sufficient shares to Rio Algom and Yukon to enable them to maintain the same percentage interest in the Company that they held immediately prior to the issuance of shares to the third party. The purchase price and the terms and conditions of sale must be substantially the same as those applicable to the purchase by the third party.

Income Debenture Indenture

The principal amount of unsecured debentures which may be issued under this indenture is unlimited but the Series A Debentures ("Income Debentures") are limited in principal amount to $53,600,000. The Income Debentures will bear interest at the rate of 8½% per annum from the date of issue and will mature December 31, 1985. Interest will be compounded quarterly and payment thereof will be deferred until the Company has sufficient funds available for payment thereof after making payments due under the Bank Loan Agreement and the Japanese Financing Agreement.

Repayment of principal is to be made by way of annual sinking fund payments from all of the operating profits of the Company after (a) the bank loans have been paid in full, (b) the Notes under the Japanese Financing Agreements have been paid in full, and (c) accrued and deferred interest on the Income Debentures has been paid in full. The sinking fund payments are to be used to redeem the Income Debentures at par. The Company has the option, when not in default under the Financing Agreements, of redeeming all but not part of the Income Debentures at 108½% of the principal amount thereof.

The Company may not pay dividends or make any distributions to the shareholders while moneys are owing under the Bank Loan Agreement, the Japanese Financing Agreement or the Income Debentures.

Construction and Management Agreement

Under this agreement Rio Algom has agreed to assume responsibility for the construction of the Lornex Project, to supervise and manage the business of the Company both during construction and thereafter for a period of at least 15 years from December 1, 1969, and to incur on behalf of the Company and to pay all construction costs and operating costs incurred during the first two years following commencement of commercial production. The Company agrees to use the proceeds of financing and revenues from concentrate sales in the first instance to pay principal and interest on its loans and thereafter to reimburse Rio Algom for construction costs and operating costs incurred by Rio Algom on its behalf. In addition the Company agrees to pay Rio Algom a management fee of $250,000 per annum commencing January 1, 1969.

The Company will use the proceeds of the financing and revenues from concentrate sales and other sources, in the first instance, to pay principal and interest on its loans, and thereafter to pay construction and operating period costs incurred by Rio Algom. If the funds available to the Company after payment of its primary obligations are insufficient to reimburse Rio Algom for construction and operating costs, Rio Algom may elect to postpone payment until after repayment of all amounts owing under the Bank Loan Agreement, Japanese Financing Agreement and Income Debenture Indenture or accept in lieu of payment, Units of Income Debentures of the Company in principal amount equal to the amount owing and Class A shares of the Company.

Rio Algom's obligation to do work or incur further expenses without being reimbursed in cash is suspended if construction period costs incurred exceed by $20,000,000 the amount for which Rio Algom has been reimbursed in cash, or, in the alternative, if construction period costs together with operating period costs in the aggregate exceed by $30,000,000 the amount for which Rio Algom has been reimbursed in cash until Rio Algom is satisfied that it will be reimbursed in cash by the Company for such work or expenses. The obligations of Rio Algom to pay construction and operating period costs and to defer payments or accept Units in lieu thereof terminate two years after commencement of commercial production, subject to extension for up to twelve months under certain conditions of force majeure.

Any costs which Rio Algom elects to postpone bear interest at the rate of 8½% per annum compounded quarterly with interest on overdue interest but such interest is not payable while amounts are owing under the Bank Loan Agreement, Japanese Financing Agreement or Income Debenture Indenture. The principal of any postponed amount unless repaid within three months from the date it originally became due, may not be paid while amounts are owing under the Bank Loan Agreement or Japanese Financing Agreement.

Each Unit issued to Rio Algom in lieu of repayment will consist of 40 Class A shares of the Company and Income Debentures in principal amount of $1,000 except when Units are issued in respect of increased expenditures resulting from force majeure or a modification of the Lornex Project approved by the directors of the Company in which event Rio Algom will receive 80 Class A shares with each $1,000 principal amount of Income Debentures accepted.

In addition to incurring construction period and operating period costs on behalf of the Company, certain of Rio Algom's officers and fulltime employees will, without remuneration from the Company, assist and advise the Company. Rio Algom will be responsible for the hiring for the Company's account of the necessary fulltime supervisory and management personnel for the Lornex Project and will make available to the Company, at the Company's expense, Rio Algom's head office marketing, engineering, planning, administrative and other technical and financial services.

If after commencement of commercial production it is found that the total construction costs (including provision for working capital) are less than the funds provided to the Company, then, subject to payment of current loan obligations, the Company will use such excess funds to redeem Income Debentures issued hereunder. Rio Algom may terminate this Agreement prior to the first advance under the Japanese Financing Agreement but after the first advance the Agreement cannot be terminated while moneys are owing under the Bank Loan Agreement or Japanese Financing Agreement. Lornex cannot terminate the Agreement while moneys are owing to Rio Algom under the Income Debenture Indenture or under this agreement.

Control Agreement

Under this agreement entered into between the Company, Rio Algom, the Banks and the Security Purchasers, Rio Algom agrees that (a) upon purchase of at least $21,240,000 principal amount of Units of Income Debentures and Class A shares it will exchange such number of Class A shares for common shares as may be necessary to ensure that at the time of the first advance under the Japanese Financing Agreement and thereafter during the term of the Sales Contract Rio Algom will hold not less than 50% of the issued and outstanding voting shares of the Company; (b) so long as the bank loans or Notes issued under the Japanese Financing Agreement remain unpaid Rio Algom will vote all of its common shares of the Company in favour of the appointment of Coopers & Lybrand as Auditors of the Company; and (c) during the term of the Sales Contract it will vote for the election to the Board of Directors of the Company of one nominee of the Security Purchasers.

The Company agrees that, so long as moneys are owing under the Bank Loan Agreement, the Japanese Financing Agreement or the Income Debentures, and so long as the Sales Contract remains in force, it will not issue further shares in the capital stock of the Company, or change or alter its capital structure, unless arrangements have been made with Rio Algom under which Rio Algom will purchase or otherwise acquire such additional shares as may be necessary to enable it to hold not less than 50% of the issued and outstanding voting shares of the Company. The Company agrees, so long as the Sales Contract remains in force, to retain Rio Algom to manage the business and affairs of the Company.

Interests of Certain Persons in Financing Agreements

R. D. Armstrong of 30 Glenorchy Road, Don Mills, Ontario (a Director and President of the Company) is a Director and President of Rio Algom. G. R. Albino of 2242 High River Court, Port Credit, Ontario (a Director and Vice-President of the Company) is a Director and Executive Vice-President, Corporate Staff, of Rio Algom. W. P. Arnold of 355 St. Clair Avenue West, Apt. 1104, Toronto, Ontario (a Director of the Company) is a Director and Executive Vice-President, Mining Operations of Rio Algom. W. A. Arbuckle of 8 Chelsea Place, Montreal, Quebec (a Director of the Company) is a Director and President of Yukon, a Director of Bank of Montreal and a Director of Rio Algom. J. Arthur Sadler of 318 Glenayr Road, Toronto, Ontario (a Director of the Company) is Vice-President, Exploration of Rio Algom. Neil B. Ivory of 3471 Holton Ave., Montreal 218, Quebec (a Director of the Company) is a Director and Vice-President of Yukon. John Van Netten of 30 Dalmeny Road, Willowdale, Ontario (Treasurer of the Company) and A. C. Turner of 229 Owen Boulevard, Willowdale, Ontario (Assistant Secretary of the Company) are the Treasurer and Secretary, respectively, of Rio Algom. R. W. Wright of 14 Chelsea Square, London S.W.3, England (a nominee for Director of the Company) is a Director of Rio Algom and is a Deputy Chairman and Deputy Chief Executive of Rio Tinto-Zinc Corporation Limited. Through share ownership Mr. Arbuckle controls

two companies which together own 51,201 common shares of Yukon and 4,500 shares of Lornex. Messrs. Armstrong, Arbuckle and Smith own directly an aggregate of 31,888 shares of Rio Algom and Messrs. Arbuckle and Ivory own directly an aggregate of 37,000 shares of Yukon.

INSPECTION OF FINANCING AGREEMENTS

Copies of all of the Financing Agreements may be inspected by shareholders of the Company during normal business hours at the head office of the Company, 202 - 580 Granville Street, Vancouver, B.C. and at the offices of Rio Algom, 2600 - 120 Adelaide Street West, Toronto, Ontario, during the period March 17th to March 31st, inclusive.

SHAREHOLDERS' APPROVAL

The directors require the approval of the shareholders to the aforesaid Financing Agreements and it is intended that proxies received as a result of this solicitation will be voted in favour of the resolution approving, ratifying and confirming the agreements mentioned above and in favour of authorizing the directors to make such alterations or amendments to the Financing Agreements, including fixing the interest rate in the Japanese Financing Agreement, as the directors may consider necessary or appropriate.

SALES CONTRACT

The Company has entered into an agreement with the companies referred to as the Security Purchasers under the heading Japanese Financing Agreement whereby the Security Purchasers have agreed to purchase the copper concentrates produced from the Lornex Project for a term of twelve years.

OTHER MATERIAL CONTRACTS

Pursuant to a Construction and Management Participation Agreement dated as of December 1, 1969 between Rio Algom and Yukon, Rio Algom has agreed to sell to Yukon 17.5% of all Units of Income Debentures and Class A shares of the Company that Rio Algom may from time to time accept in lieu of reimbursement in cash under the Construction and Management Agreement. In addition, Yukon has been granted the option, exercisable in whole but not in part on each purchase date, to purchase an additional 10% of such Units. Failure by Yukon to take up the full 10% on any purchase date terminates the option with respect to all subsequent purchase dates. The foregoing rights and option are subject to the obtaining of all approvals and consents necessary or desirable under any applicable securities or other legislation and the rules and regulations of any stock exchange or other regulatory body having jurisdiction. In addition, Yukon must ensure to Rio Algom's satisfaction that any Income Debentures acquired by Yukon will remain subordinated to Lornex's obligations under the Bank Loan Agreement and Japanese Financing Agreement and must provide Rio Algom with a satisfactory guarantee of the performance of Yukon's obligations.

So long as Yukon is the registered beneficial owner of 10% or more of the outstanding shares of the Company, the parties will vote their shares to ensure that Yukon will have two nominees (or three if requested) on the Board of Directors of the Company and that the remaining directors will be nominees of Rio Algom. This provision of the agreement is intended to replace an existing voting agreement to the same effect between Rio Algom, Yukon and Rio Tinto Canadian Exploration Limited, a company wholly owned by Rio Algom.

The interests of the directors and senior officers of the Company in the foregoing transaction are disclosed under the heading "Interest of Certain Persons in Financing Agreements".

At the present time, there are no other material transactions proposed to be entered into by the Company other than the transactions described under the headings "Management" and "Financing Agreements" in which (i) any Director or Senior Officer of the Company; (ii) any person or company beneficially owning, directly or indirectly, more than 10% of the common shares of the Company; and (iii) any associate or affiliate of the persons or officers named in subparagraphs (i) or (ii) has a direct or indirect material interest.

STOCK OPTION PLAN

The Company has created a stock option plan whereby officers and employees of the Company and of Rio Algom may be granted the right to purchase up to a total of 100,000 common shares of the capital stock of the Company at such discount from the market price of the shares of the Company as may be permitted by the Vancouver Stock Exchange at the time of the granting of such options. The option agreements will extend over a six-year period with the right to purchase shares prorated over the last five years of the option. The options will be cumulative and, if the optionee fails to exercise an option during any year of the option agreement, he may subsequently exercise such option before the agreement expires. At the date of this Information Circular no such options have been granted.

The adoption of the stock option plan by the directors is subject to approval by the shareholders of the Company. For this purpose, the plan must be approved by the holders of a majority of the shares which are voted on the proposal at the Annual General and Extraordinary General Meeting of Shareholders. **Unless otherwise instructed, proxies which are received pursuant to this solicitation will be voted for confirmation of adopting the stock option plan.**

SPECIAL RESOLUTIONS

No. 1 — Alteration of Share Capital

1. When the Company was converted in 1967 from a Specially Limited Company into a limited company, the Registrar of Companies specified that, if the Company increased its capital in the future, such increase of capital must encompass shares of a par value of $1.00 or shares without par value. It is not possible to increase the par value of a share unless the share capital is consolidated. Accordingly, the directors consider that the share capital should be converted into shares of no par value in order to comply with the requirements of the Registrar of Companies.

2. One of the provisions of the Income Debenture and Share Purchase Agreement requires the Company to create 4,500,000 Class A shares. These shares are non voting and are exchangeable at the option of the holder into common shares. 1,699,200 of these shares will be allotted to Rio Algom upon the purchase by it of 21,240 Income Debenture Units. The balance of these shares will become a part of the unissued capital unless it is necessary to allot a portion of them to Rio Algom upon the sale to Rio Algom of additional Income Debenture Units to cover construction and operating costs in excess of the estimated costs of $123,600,000. (See "Construction and Management Agreement"). Accordingly, the directors propose that the share capital be increased from 5,000,000 shares to 14,000,000 shares and that these shares be divided into 9,500,000 common shares and 4,500,000 Class A shares. Of the 9,500,000 common shares, 4,521,322 are issued and outstanding, 4,500,000 are required to be retained in the treasury for the possible exchange of Class A shares, 188,800 will be allotted to Yukon upon the purchase by it of 2,360 Income Debenture Units, 150,000 will be issued under the provisions of the Japanese Financing Agreement, and 100,000 may be issued under the Employee Stock Option Plan. The balance of these shares will become a part of the unissued capital of the Company.

No. 2 — Alteration of Articles

1. The first amendment to the Company's Articles of Association is necessary to provide for rights and restrictions on Class A shares. The holders of the Class A shares shall not be entitled to dividends but shall be entitled on a return of assets in winding up or otherwise to receive the amount paid up on the Class A shares after payment of liabilities of the Company. The holders of Class A shares shall not be entitled to vote at any meetings of the shareholders but they may at any time exchange Class A shares for common shares on the basis of one common share for each Class A share exchanged.

2. The second amendment to the Company's Articles of Association is required due to the conversion of shares from par value to no par value.

Adoption of Special Resolutions 1 and 2 require the approval of an affirmative vote by at least ¾ of the votes cast at the Annual General and Extraordinary General Meeting of Shareholders. **Unless otherwise instructed proxies which are received pursuant to this solicitation will be voted for confirmation of Special Resolutions 1 and 2.**

AUDITORS

The firm of Coopers & Lybrand, Chartered Accountants, was appointed Auditors of the Company by the shareholders of the Company in 1967. **It is intended that proxies which are received pursuant to this solicitation will be voted for the appointment of Coopers & Lybrand, Chartered Accountants, as Auditors of the Company, to hold such office until the next annual general meeting of the Company at a remuneration to be fixed by the directors.**

AUTHORITY TO ACQUIRE SHARES

The Companies Act of British Columbia requires that to enable the Company to acquire shares in other companies a general authority to do so must be granted by ordinary resolution. Such authority shall expire at the next annual general meeting of the Company unless it is continued by an ordinary resolution passed thereat.

APPOINTMENT & REVOCATION OF PROXIES

Each shareholder has the right to designate as his proxy a person (who need not be a shareholder of the Company) other than Mr. R. D. Armstrong or Mr. G. R. Albino, the management nominees, to attend and act for such shareholder at the meeting. Any shareholder desiring to exercise such right may do so by striking out the names of the management nominees in the enclosed form of proxy and inserting in the space provided the name of the person so appointed as his proxy, or by executing a separate proxy in form similar to the enclosed form.

Under the provisions of Section 166B (4) of the Companies Act (British Columbia), a shareholder giving a proxy has power to revoke it by instrument in writing deposited with the Secretary of the Company at any time up to and including the last business day preceding the day of the meeting or with the Chairman of the meeting on the day of the meeting.

EXERCISE OF DISCRETION OF PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction, such shares will be voted in favour of the matters to be dealt with at the meeting and set forth in the accompanying notice of the meeting.** The shares represented by the enclosed form of proxy (if the same is executed in favour of the management nominees and deposited with National Trust Company Limited, 510 Burrard Street, Vancouver 1, British Columbia, by 11:00 o'clock in the morning (Vancouver time) on March 30, 1970) will be voted. Where a choice is specified, the shares will be voted in accordance with the specification made, provided that if the aggregate number of shares represented at the meeting by proxies required to be voted for or against a particular matter or group of matters carries, to the knowledge of the chairman of the meeting, less than 5% of the voting rights attached to the shares entitled to vote and represented at the meeting, the chairman of the meeting shall have the right not to conduct a vote by way of ballot unless a poll is demanded. **In the absence of any specification, the shares represented by the enclosed form of proxy will be voted in favour of the matters to be dealt with at the meeting as set forth in the accompanying notice of meeting.**

If you appoint a proxy other than those persons named in the enclosed form of proxy, the management of the Company assumes no responsibility in respect of whether or not such proxy votes your shares in accordance with your instructions.

By Order of the Board of Directors,

C. W. M. BURGE,
Secretary.

Vancouver, B.C.
March 2, 1970.

Printed in Canada

LORNEX MINING CORPORATION LTD.

ANNUAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 1969
AND THREE MONTHS ENDED
DECEMBER 31, 1969.

LORNEX MINING CORPORATION LTD.

OFFICERS	Chairman of the Board - - - - - - EGIL H. LORNTZSEN President and Chief Executive Officer ROBERT D. ARMSTRONG Vice-President - - - - - - - - - - E. B. GILLANDERS Vice-President - - - - - - - - - - - G. R. ALBINO Treasurer - - - - - - - - - - - J. VAN NETTEN Secretary - - - - - - - - - - C. WILLIAM M. BURGE
DIRECTORS	GEORGE R. ALBINO, Port Credit WILLIAM A. ARBUCKLE, Montreal ROBERT D. ARMSTRONG, Toronto WALTER P. ARNOLD, Toronto C. WILLIAM M. BURGE, West Vancouver E. B. GILLANDERS, Crescent Beach NEIL B. IVORY, Montreal EGIL H. LORNTZSEN, Vancouver A. DAVID ROSS, West Vancouver J. ARTHUR SADLER, Toronto ISAAC SHULMAN, Vancouver
EXECUTIVE OFFICE	120 Adelaide St. W. - - - - - - - - Toronto
HEAD OFFICE	580 Granville St. - - - - - - - - - Vancouver
PROJECT OFFICE	P.O. Box 430 - - - - - - - - - - Ashcroft
PRINCIPAL BANKERS	Canadian Imperial Bank of Commerce - Vancouver and Toronto Toronto-Dominion Bank - - - - - - - Toronto Bank of Montreal - - - - - - - - - Toronto
SOLICITORS	Clark, Wilson & Company - - - - - - - Vancouver Fasken & Calvin - - - - - - - - - Toronto
AUDITORS	Coopers & Lybrand - - - - - - - - - Vancouver
REGISTRAR AND TRANSFER AGENT	National Trust Company Limited - - - - - - Vancouver
SHARES LISTED	Vancouver Stock Exchange
THE ANNUAL MEETING	11:00 a.m., Tuesday, March 31, 1970 Vancouver Island Room, Hotel Vancouver, Vancouver, British Columbia

Artist's conception of the Lornex open pit mine and mill complex.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to submit this report on the activities and financial position of the Company for the year ended September 30, 1969 and the three months ended December 31, 1969. It was found desirable to change the Company's fiscal year end from September 30 to December 31. This annual report therefore covers a 15-month period but in the future the Company's annual report will cover the calendar year.

FINANCIAL

During the fifteen month period an amount of $3,021,000 was spent for deferred exploration, development and administration. The cost of this work was financed by borrowing $2,700,000 from Rio Algom Mines Limited (Rio Algom) and $300,000 from The Yukon Consolidated Gold Corporation Limited (Yukon). These companies have agreed to advance up to $5.4 million and $0.6 million respectively on a demand loan basis to pay for costs of the Lornex Project prior to commencement of construction and the receipt of funds in accordance with the Company's financing arrangements. The advances will be repaid out of the first funds received by the Company from the sale of income debentures to Rio Algom and Yukon.

SALES CONTRACT AND FINANCING

It was slightly less than a year ago that Lornex announced approval of plans for the financing and development of the Company's copper-molybdenite deposit in British Columbia's Highland Valley, subject to successful completion of financing and concentrate sales contracts.

It was with pleasure that the Company was able to announce on December 22, 1969 that formal contracts had been signed for the financing of the mine and for the sale of copper concentrates for a term of twelve years. The total estimated cost of bringing the mine into production, including $10.2 million spent to the end of 1969, is $123.6 million. With the exception of approximately $4.0 million for employee facilities, the financing is complete. As has been previously reported to you, design capacity is 38,000 tons of ore per day and annual output is estimated at approximately 162,000 short tons of copper concentrate and 2.5 million pounds of molybdenum in concentrate. When in operation, Lornex will be the largest nonferrous mine in Canada.

A number of the agreements require your approval as set forth in the Information Circular. For your convenience, the principal agreements are summarized very briefly below:

- A sales contract between your Company and a consortium of Japanese companies, six copper smelters and three trading companies, for the sale of the entire production of copper concentrates from the mine for a term of twelve years.

Following signing of contracts with Japanese consortium, an address by President R. D. Armstrong (fourth from right) is read to senior executives of the Japanese companies by N. Shudo, representative director of Rio Tinto-Zinc (Japan) Limited. Also signing for Lornex was G. R. Albino, Lornex director and Rio Algom executive vice-president.

- A loan agreement between your Company and the Japanese consortium to purchase notes of Lornex in the principal amount of $26.5 million (U.S.) and 150,000 common shares of Lornex in units of $1,000 (U.S.) principal amount of notes and 5.6604 shares at a purchase price of $1,000 (U.S.) per unit. The notes are secured by second mortgage bonds. Both the sales contract and loan agreement are subject to Japanese Government approval.

- A loan agreement between your Company and three Canadian chartered banks providing for advances of $60 million (Cdn.), secured by first mortgage bonds.

- An agreement between your Company, Rio Algom and Yukon providing for the sale of units of unsecured income debentures and Lornex shares for a total amount of $23.6 (Cdn.) million of which 90% will be subscribed for by Rio Algom and 10% by Yukon.

Bank loan agreement is signed by President R. D. Armstrong (at head of table) and senior representatives of three Canadian banks. The banks agreed to supply $60-million for the development of the Lornex mine.

Each unit consists of $1,000 principal amount of unsecured income debentures and 80 shares at a purchase price of $1,000 per unit.

Your company has also entered into a construction and management agreement with Rio Algom under which Rio Algom has agreed to assume the responsibility for the construction of the Lornex Project and supervise and manage the business and operations of Lornex during construction and thereafter for a period of at least fifteen years from December 1, 1969. Rio Algom will incur on behalf of Lornex all defined construction period costs and those operating costs incurred during the first two years following commencement of commercial production. Rio Algom's obligation to do work or incur further expenses without being reimbursed in cash is suspended if construction period costs incurred exceed by $20,000,000 the amount for which Rio Algom has been reimbursed in cash, or, in the alternative, if construction period costs together with operating period costs in the aggregate exceed by $30,000,000 the amount for which Rio Algom has been reimbursed in cash until Rio Algom is satisfied that it will be reimbursed in cash by Lornex for such work or expenses. Rio Algom will receive a management fee of $250,000 per year commencing January 1, 1969.

Rio Algom, under another agreement with the Company, the banking group and the Japanese consortium, is required to own at the time of the first advance by the Japanese at least 50% of the voting shares of Lornex and to maintain that equity position as long as the Sales Contract is in force. This is desired by the Company and is also a requirement insisted upon by the banks and the Japanese companies.

OPERATIONS

As soon as Japanese Government approval has been received of those agreements signed by the Japanese parties, construction will begin. To prepare for construction, definitive engineering for the concentrator and related facilities was begun several months ago and detailed planning for the pit and townsite was accelerated. Some of the progress made to date is as follows:

- A contract was awarded to Stearns-Roger Corporation of Denver, Colorado, to carry out design and detailed engineering and construction of the concentrator and related facilities.
- Location studies for the water pipeline, tailings area, electrical transmission and access roads have now been completed. Basic design of piping, instrumentation, office, warehouse and shops is well advanced.
- Discussions with Provincial Government departments proceeded smoothly during the year and have contributed significantly to the progress to date with respect to title and surface rights, tailings and water rights.
- Negotiations are in progress with the railways and Vancouver harbour terminals with regard to the transportation and handling of the copper concentrates.
- Close liaison has been sustained with other mining companies in the Highland Valley area and an agreement has been entered into with Bethlehem Copper Company, Limited with respect to joint use of tailings disposal and water supply systems.
- Selection of equipment which has a long delivery period has been made.
- Studies are going forward on the selection and planning of a community to accommodate Lornex personnel and families. It is particularly important to the success of the venture that adequate housing be made available to attract experienced people for permanent location.
- Negotiations are proceeding with banks and other lenders as well as Central Mortgage and Housing Corporation for the arranging of mortgage loans for the employees' housing facilities.
- Key staff has been assembled.
- A labour agreement was signed with the Steelworkers Union and ratified by the Union.
- Discussions are taking place to arrange for the sale of molybdenum concentrates to be produced by the mine.

APPROVAL OF AGREEMENTS

At the meeting of shareholders to be held on March 31, 1970 your Directors will require ratification of certain agreements and the adoption of two special resolutions which are set forth in the Information Circular. The agreements to be submitted for approval are the Bank Loan Agreement, the Japanese Financing Agreement, the Income Debenture and Share Purchase Agreement, the Construction and Management Agreement, and the Control Agreement. This ratification is necessary to approve the actions taken by your Directors in entering into these agreements.

Special Resolution No. 1 relates to the alteration of the authorized share capital of the Company. The number of shares to be issued under the above-mentioned agreements is in excess of the currently unissued common shares of the Company. It will, therefore, be necessary to increase the authorized capital of the Company. It is also proposed that a new class of shares, designated Class A shares, be created, which will be non-voting, non participating except on a winding-up and will be convertible at any time into common shares of the Company on a 1 for 1 ratio. Under the terms of the Income Debenture and Share Purchase Agreement Rio Algom has agreed to purchase units of Income Debentures and Class A shares of the Company while Yukon has agreed to purchase units of Income Debentures and common shares of the Company. Under the terms of the Construction and Management Agreement, Rio Algom may accept additional units of Income Debentures and Class A shares of the Company.

Special Resolution No. 2 relates to the altering of the articles of association of the Company. The amendment applies to the rights, privileges and restrictions attached to the Class A shares and the common shares.

APPRECIATION

A great deal of hard work and effort has gone into the Lornex Project to come to the position we are in today. Negotiations of the key agreements have been protracted and complex; however, all negotiating parties have worked hard to complete the formal documents which were signed in December 1969.

The Directors of your company wish to express their thanks to the employees of both Lornex and Rio Algom and to the Japanese companies, The Dowa Mining Co., Ltd., Furukawa Mining Co., Ltd., Mitsubishi Metal Mining Co., Ltd., Mitsui Mining & Smelting Co., Ltd., Nippon Mining Co., Ltd., Sumitomo Metal Mining Co., Ltd., Mitsubishi Shoji Kaisha, Ltd., Mitsui & Co., Ltd., and Sumitomo Shoji Kaisha, Ltd. and to the three Canadian banks, Canadian Imperial Bank of Commerce, The Toronto-Dominion Bank and Bank of Montreal for making it possible to bring the Lornex Project to this point. We look forward to the new year and to an early start of construction.

On behalf of the Board,

R. D. ARMSTRONG,
President.

Vancouver, B.C.,
March 2, 1970.

AUDITORS' REPORT

To the Shareholders of
Lornex Mining Corporation Ltd.:

We have examined the balance sheet of Lornex Mining Corporation Ltd. as at September 30, 1969, and the statements of deferred exploration, development and administration and source and disposition of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at September 30, 1969, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND,
Chartered Accountants.

Vancouver, British Columbia,
November 20, 1969.

LORNEX MINING CORPORATION LTD.

(Incorporated under the laws of British Columbia)

BALANCE SHEET AS AT SEPTEMBER 30, 1969

Assets

	1969	1968
CURRENT:		
Cash	$ 49,806	$ 121,719
Short term investments, at cost, and deposits	300,068	304,197
Accounts receivable	30,497	10,997
	380,371	436,913
FIXED, at cost (notes 1 and 2):		
Plant and equipment	1,369,278	1,382,497
Mining properties	471,000	471,000
	1,840,278	1,853,497
OTHER:		
Deferred exploration, development and administration, at cost (note 1)	7,135,961	5,381,113
Incorporation and organization costs	2,601	2,601
	7,138,562	5,383,714
	$9,359,211	$7,674,124

Liabilities and Shareholders' Equity

	1969	1968
CURRENT:		
Accounts payable and accrued liabilities	$ 410,904	$ 225,041
Due to Rio Algom Mines Limited	46,273	47,730
Due to Rio Tinto Canadian Exploration Limited	106	29,583
	457,283	302,354
Loans from associated companies (note 6):		
Rio Algom Mines Limited	1,377,142	—
The Yukon Consolidated Gold Corporation Limited	153,016	—
	1,530,158	—
SHAREHOLDERS' EQUITY:		
Capital Stock —		
Authorized:		
5,000,000 shares with a par value of 50¢ each		
Issued:		
900,000 shares for mining properties	450,000	450,000
3,621,321 shares for cash	1,810,660	1,810,660
4,521,321	2,260,660	2,260,660
Premium less discount on shares issued for cash	5,111,110	5,111,110
	7,371,770	7,371,770
	$9,359,211	$7,674,124

Approved on behalf of the Board:

W. A. ARBUCKLE, Director.

R. D. ARMSTRONG, Director.

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND ADMINISTRATION
FOR THE YEAR ENDED SEPTEMBER 30, 1969

	1969	1968
Balance, beginning of year	$5,381,113	$3,180,761
Add expenditures during the year —		
Exploration and development:		
Surface drilling, exploration and costs of property acquisitions	260,985	179,868
Shaft sinking and lateral development	—	454,919
Pilot plant operation	—	350,422
Preliminary site work	278,926	—
Technical and economic studies	111,384	774,253
Camp, cookhouse, utilities and vehicles	22,323	153,774
Design engineering	306,361	—
Miscellaneous on site costs	38,170	78,328
	1,018,149	1,991,564
General and administration	257,586	200,233
Vancouver office and corporate expenses	160,350	90,891
Interest and financing costs	380,856	—
	1,816,941	2,282,688
Less: Revenue from sale of concentrates	51,255	—
Interest earned	10,838	82,336
	62,093	82,336
Net expenditure for the year	1,754,848	2,200,352
Balance, end of year	$7,135,961	$5,381,113

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1969

	1969	1968
Source of funds:		
Loans from associated companies	$1,530,158	$ —
Proceeds from disposal of equipment (net)	13,219	—
	1,543,377	—
Disposition of funds:		
Expenditures for plant and equipment	—	62,979
Expenditures for deferred exploration, development and administration	1,754,848	2,200,352
	1,754,848	2,263,331
Decrease in working capital	$ 211,471	$2,263,331
Working capital or **(deficiency)** at end of year	$ (76,912)	$ 134,559

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1969

1. The amounts shown for fixed assets and deferred exploration, development and administration represent costs to date and are not intended to reflect present or future values.

2. Mining properties were acquired for the issue of 875,000 shares of capital stock valued at $437,500 together with $33,500 cash. Mining properties for which 25,000 shares of capital stock were issued valued at $12,500 were abandoned and the cost thereof has been charged to deferred exploration, development and administration.

3. Subsequent to September 30, 1969 the company purchased the "Skeena property" for $180,000 thereby discharging all liabilities under the option agreement which formerly called for certain work commitments and future cash payments.

4. Under the terms of an agreement dated May 17, 1965 the company agreed that if certain mining properties were brought into production it would pay Skeena Silver Mines Limited 5% of the net smelter returns from any ore produced from those properties up to $500,000 with minimum annual payments of $15,000 to commence on May 31, 1971.

5. The Board of Directors have approved, subject to the completion of financing and product sale arrangements, a plan of financing for the development of the company's copper property and the construction of a mill and ancillary facilities at a total estimated cost of $120,000,000. At September 30, 1969 the estimated cost to complete certain preliminary and preparatory work in this connection was approximately $3,800,000 of which $300,000 was committed.

6. In order to provide funds pending completion of the financing and product sale contracts, the company has arranged to borrow up to $5,400,000 from Rio Algom Mines Limited and $600,000 from The Yukon Consolidated Gold Corporation Limited. The principal amounts on these loans will be repaid from the first amounts received by the company from the sale to Rio Algom and Yukon of Units comprising subordinated income debentures and shares of capital stock. The loans bear interest at 8½% per annum payable after all other debt contemplated under the plan of financing has been repaid and interest on any such debt has been paid. At September 30, 1969 these loans amounted to $1,500,000 and the accrued interest amounted to $30,158.

7. During the year ended September 30, 1969 the aggregate direct remuneration paid or payable by the company to the directors and senior officers of the company was $47,352, including remuneration to a director of $9,600.

AUDITORS' REPORT

To the Shareholders of
Lornex Mining Corporation Ltd.:

We have examined the balance sheet of Lornex Mining Corporation Ltd. as at December 31, 1969, and the statements of deferred exploration, development and administration and source and disposition of funds for the three months then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1969, and the results of its operations for the three months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND,
Chartered Accountants.

Vancouver, British Columbia,
January 30, 1970.

LORNEX MINING CORPORATION LTD.

(Incorporated under the laws of British Columbia)

BALANCE SHEET AS AT DECEMBER 31, 1969

Assets

CURRENT:	
Cash	$ 59,569
Short term investments, at cost, and deposits	601,016
Accounts receivable	29,380
	689,965
FIXED, at cost:	
Plant and equipment	1,375,015
Mining properties	471,000
	1,846,015
OTHER:	
Deferred exploration, development and administration, at cost	8,401,769
Incorporation and organization costs	2,601
	8,404,370
	$10,940,350

Liabilities and Shareholders' Equity

CURRENT:		
Accounts payable and accrued liabilities		$ 364,021
Due to Rio Algom Mines Limited		95,682
Due to Rio Tinto Canadian Exploration Limited		352
Due to Rio Tinto North American Services Limited		34,948
		495,003
Loans from associated companies (note 3)		
Rio Algom Mines Limited		2,766,230
The Yukon Consolidated Gold Corporation Limited		307,347
		3,073,577
Shareholders' equity (note 2):		
Capital stock —		
Authorized:		
	5,000,000 shares with a par value of 50¢ each	
Issued:		
	900,000 shares for mining properties	450,000
	3,621,321 shares for cash	1,810,660
	4,521,321	2,260,660
Premium less discount on shares issued for cash		5,111,110
		7,371,770
		$10,940,350

Approved on behalf of the Board:

W. A. ARBUCKLE, Director.

R. D. ARMSTRONG, Director.

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND ADMINISTRATION
FOR THE THREE MONTHS ENDED DECEMBER 31, 1969

Balance, September 30, 1969	$7,135,961
Add expenditures during the three months —	
Exploration and development:	
Surface drilling, exploration and costs of property acquisitions	437,375
Preliminary site work	173,302
Technical and economic studies	17,544
Design engineering	241,460
Miscellaneous on site costs	15,017
	884,698
General and administration	194,138
Vancouver office and corporate expenses	22,891
Interest and financing costs	167,088
	1,268,815
Less interest earned	3,007
Net expenditure for the three months	1,265,808
Balance, December 31, 1969	$8,401,769

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS
FOR THE THREE MONTHS ENDED DECEMBER 31, 1969

Source of funds:	
Loans from associated companies	$1,543,419
Proceeds from disposal of equipment	1,600
	1,545,019
Disposition of funds:	
Expenditures for plant and equipment	7,337
Expenditures for deferred exploration, development and administration	1,265,808
	1,273,145
Increase in working capital	$ 271,874
Working capital, December 31, 1969	$ 194,962

NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 1969

1. Under the terms of an agreement dated May 17, 1965 the company agreed that if certain mining properties were brought into production it would pay Skeena Silver Mines Limited 5% (with minimum annual payments of $15,000) of the net smelter returns from any ore produced from those properties up to $500,000 to commence on May 31, 1971.

2. The board of directors has approved product sales arrangements and the plan of financing for the development of the company's copper property in the Highland Valley of British Columbia, and the construction of a mill and ancillary facilities at an estimated cost of $123,600,000. Of this amount, $7,400,000 has already been provided through the issue of common shares of Lornex. $23,600,000 is to be provided under the Income Debenture and Share Purchase Agreement on a first in, last out basis. The $23,600,000 is comprised of Units consisting of income debentures and shares. The maximum number of shares to be issued in this respect amounts to 1,888,000, which entails an increase in the authorized share capital of the company through approval by the shareholders of a special resolution to that effect. $28,600,000 is to be provided under the Japanese Financing Agreement on a second in, second out basis and $60,000,000 is to be provided under the Bank Loan Agreement on a last in, first out basis.

   The Japanese Financing Agreement and Sales Contract are subject to the approval of the Japanese Government. At December 31, 1969 the estimated cost to complete certain preparatory work was approximately $3,100,000, of which $814,000 was committed.

3. In order to provide funds pending Japanese Government approval of the financing and product sale contracts, the company has arranged to borrow up to $5,400,000 from Rio Algom Mines Limited and $600,000 from The Yukon Consolidated Gold Corporation Limited. The principal amounts on these loans will be repaid from the first amounts received by the company from the sale to Rio Algom and Yukon of Units comprising subordinated income debentures and shares of capital stock. The loans bear interest at 8½% per annum payable after all other debt contemplated under the plan of financing has been repaid and interest on any such debt has been paid. At December 31, 1969 these loans amounted to $3,000,000 and the accrued interest amounted to $73,577.

4. During the three months ended December 31, 1969 the aggregate direct remuneration paid or payable by the company to the directors and senior officers of the company was $35,325, including remuneration to a director of $2,400.

5. Because of the change in the company's year-end from September 30 to December 31, audited statements for the three months ended December 31, 1968 are not available. Accordingly the attached financial statements are not in comparative form.

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